

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON TAXATION

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
January 20, 1981

The Senate Committee on Taxation was called to order by Chairman Keith Ashworth at 2:05 p.m., Tuesday, January 20, 1981, in Room 213 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda.

COMMITTEE MEMBERS PRESENT:

Senator Keith Ashworth, Chairman
Senator Norman D. Glaser, Vice Chairman
Senator Don Ashworth
Senator Virgil M. Getto
Senator James N. Kosinski
Senator William J. Raggio

COMMITTEE MEMBER ABSENT:

Senator Floyd R. Lamb

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Fiscal Analyst
Ed Shorr, Deputy Fiscal Analyst
Colleen Crum, Committee Secretary

The chairman asked the members of the committee to review the Standing Rules of the Senate Committee on Taxation and to present any amendments they might have. (See Exhibit B.)

Two rules were amended by consensus. Senator Glaser asked that Section II, item f, be changed to read that an item may be placed on the agenda by contacting the chairman four days prior to the meeting rather than one day. The longer notice would better enable constituents living long distances away from the capital to attend the meetings. The chairman asked that Section IV, i, be changed to read that committee introduction requires concurrence of all the committee members present rather than the concurrence of five members.

Senator Don Ashworth suggested that an amendment be added to the rules stating that "any member who votes affirmatively to pass a bill in committee must vote in favor of that bill on the Senate floor unless he contacts the chairman to tell him of the vote change prior to the vote on the Senate floor." This will enable the chairman to know what is happening within his committee when he speaks of the bill on the Senate floor. The chairman clarified that if a member of the committee votes against the bill in the committee, he is at liberty to speak against the bill on the Senate floor.

Senator Don Ashworth moved that the above amendment be approved.

Senator Norman Glaser seconded the motion.

The motion carried unanimously.

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Senator Norman Glaser moved that the rules as amended be approved.

Senator Don Ashworth seconded the motion.

The motion carried unanimously.

The committee discussed meeting three days a week. It did not reach a conclusion on this matter. The chairman told the committee that he would arrange a joint meeting with the Assembly Committee on Taxation so that both committees could work throughout the session in a single direction.

The chairman asked members to refer to the "Statement of Projected Unappropriated General Fund Balances" prepared by the staff. (See Exhibit C.)

Mr. Ronald Sparks, Fiscal Analyst, explained the report to the committee. Referring to Schedule A, he explained that the Unappropriated Balance of July 1, 1980 of \$66,143,702.00 is higher than the figure of \$32,100,000.00 estimated at the end of the 1977 session. The two primary reasons for that increase are the reversions, particularly from the school fund, and the interest income generated in the General Fund. Land leases and interest income from the school fund were much greater than projected. The interest income generated in the General Fund has been higher than projected because interest rates of 18-20 percent were much higher than originally

anticipated and the capital improvement moneys has not been withdrawn from the treasury at the speed originally projected.

He noted that the Projected Unappropriated Balance as of July 1, 1981 of \$67,186,408.00 is based upon the assumption that the Legislature makes no appropriations this session. He anticipated there would be supplemental expenditures which would bring the balance down to between \$23-25 million. This legislature will be asked to make a \$14 million appropriation to the Title XIX program.

Mr. Sparks projected a shortfall of \$12,8 million in 1980-81 based on the added expenditure of \$14 million for Title XIX. This deficit will have to be made up.

Senator Glaser asked what was a healthy balance according to The Zubrow Report.

Mr. Sparks responded The Zubrow Report stated 10 percent of annual General Fund income was a proper unappropriated balance.

Mr. Sparks explained there were two reasons for the 1.5 percent deficit for the month of June in Combined Sales Tax Receipts on Schedule E. The downturn in business and taking sales tax off food accounted for the deficit.

Mr. Sparks noted that the Quarterly State License Fees on Schedule F projection of a 7.9 percent increase takes into consideration the effect of the MGM Hotel fire on license fees collections.

He stated the projected decrease of 3.3 percent on the Casino Entertainment Tax on Schedule F is the result of a downturn in business.

Senator Keith Ashworth felt the deficit would be much greater because fire authorities are clamping down on room occupancy in hotels, as a result of the MGM fire.

Mr. Sparks explained the decline in increase of total revenues comparing 1978-79 to 1979-80 and 1980-81 is due to a decrease of average daily investment money available. The withdrawal of money for capital construction accounts for the decrease of money available for investment.

Senator Glaser added that a reduced building program in the future will also reduce the money available for investment and will affect the total revenues in the future.

The committee discussed the mechanics of the slot machine tax. Excess revenues over the \$5 million originally anticipated will go to capital improvement for higher education. The chairman stated \$10 million has been collected. He felt the \$5 million windfall should not go to higher education when funding for higher education is being cut back.

The chairman suggested changing the law to allow placing the entire slot machine tax into the General Fund and then allocating it back to the schools. This would give the Legislature control over the money.

Mr. Sparks stated that the committee would have to know the schedule of funds already obligated before taking action. The Fiscal Analyst's Office will prepare a report on funds already scheduled and present it to the committee.

The chairman asked Mr. Ed Shorr, Deputy Fiscal Analyst, to prepare a presentation to the committee on the entire slot machine tax program. He also asked Mr. Shorr to keep the committee briefed on the impact of any tax measures proposed during the legislative session as well as to report to the committee on how the Governor's budget will affect the projected General Fund balances. He also asked Mr. Schorr to report to the committee on how oil and gas taxes are treated.

The chairman suggested that the committee should ascertain that the MGM Hotel will not have to reapply for its license, despite being closed for more than one quarter.

Mr. Sparks felt the regulation requiring a casino to reapply for its license after being closed for more than one quarter was going to be waived in the MGM Hotel's case.

There being no further business, the meeting adjourned at 3:05 p.m.

Respectfully submitted by:

Coco Crum, Secretary

APPROVED BY:

Senator Keith Ashworth, Chairman

DATE: _____

SENATE AGENDA

COMMITTEE MEETINGS

Committee on Taxation, Room 213.

Day Tuesday, Date January 20, Time at the call of
of the Chairman

Discussion of committee rules.

Adoption of committee rules.

Committee schedule (Tuesdays and Thursdays at 2 p.m.).

Consider bill introduction.

Business from committee.

STANDING RULES OF THE SENATE TAXATION COMMITTEE
SIXTY-FIRST SESSION, 1981

- I. The authority and procedures of the committee are determined by:
 - a. Constitution of the State of Nevada
 - b. Nevada Revised Statutes
 - c. Standing rules of the Nevada Senate
 - d. Standing rules of the Senate Taxation Committee
 - e. Mason's Manual of Parliamentary Procedure

- II. Duties of the Chairman:
 - a. Prepare the agenda
 - b. Call committee together
 - c. Require minutes to be kept and presented as soon as possible
 - d. Prepare committee reports
 - e. Appoint sub-committees as needed
 - f. Any member of the committee may request an item on the agenda by contacting the committee chairman four (4) days prior to the meeting

- III. Duties of the Vice-Chairman:
 - a. In the absence or at the discretion of the chairman, the vice-chairman shall conduct the meetings of the committee

- IV. Committee Action:
 - a. A quorum shall consist of at least four (4) members
 - b. A quorum must be present to hear a bill or resolution
 - c. A simple majority of the committee can pass or reject a bill or resolution
 - d. In order to reconsider previous actions, an affirmative vote of five (5) members of the committee will be required. However, a majority present may allow the hearing of new evidence or information which would be pertinent to the determination of whether or not a matter or an action should be reconsidered
 - e. Attendance shall be recorded
 - f. "No" votes shall be recorded
 - g. Committee members shall address the chair to gain the floor

Standing Rules of the Senate Taxation Committee

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- h. The chairman shall determine when a final action is to be taken after witnesses have been questioned and dismissed
- i. Committee introduction requires concurrence of all of the committee members present and does not imply committment or support of the bill or resolution
- j. Any member who votes affirmatively to pass a bill in committee must vote in favor of that bill on the Senate floor unless he contacts the chairman to tell him of the vote change prior to the vote on the Senate floor
- k. No smoking in the committee room
- l. Recesses shall be at the call of the chair
- m. Minority reports may be files as per Mason's Manual, Section 677, and must be requested at the time a bill or resolution is reported out of committee. The minority report filed with the Secretary of the Senate must be individually signed by each member requesting it
- n. All meetings shall be open to the public and media

STATEMENT OF PROJECTED UNAPPROPRIATED GENERAL FUND BALANCES

General Fund Unappropriated Balance 7/1/78			\$74,805,265
Income 1978-79	\$300,941,797		
Reversions 1978-79	15,388,212		
Distributive School Fund Reversions 1977-79	29,646,318		
Controller's Adjustment to Fund Balance	<u>(743,920)</u>		
Total Income & Reversions 1978-79		\$345,232,407	
Less: 1977 Legislative Appropriations for 1978-79		(241,376,950)	
1979 Legislative Appropriations for 1978-79		<u>(90,664,108)</u>	
Unappropriated Balance 7/1/79			87,996,614
Income 1979-80	322,356,013		
Reversions 1979-80	10,602,316		
Controller's Adjustment to Fund Balance	<u>942,922</u>		
Total Income & Reversions 1979-80		333,901,251	
Less: 1979 Legislative Appropriations for 1979-80		(354,871,663)	
1981 Legislative Appropriations Moved to 1979-80		<u>(882,500)</u>	
Unappropriated Balance 7/1/80			66,143,702
Projected Income 1980-81	336,222,681		
Projected 1980-81 Reversions	<u>14,500,000</u>		
Total Projected Income & Reversions 1980-81		350,722,681	
Less: 1979 Legislative Appropriations for 1980-81		(347,505,475)	
1980 Appropriations for Special Session		(57,000)	
Appropriations Moved from 1981 to 1980		882,500	
Estimated 1981 Legislature Costs		<u>(3,000,000)</u>	
Projected Unappropriated Balance 7/1/81			<u>\$67,186,408</u>

COMPARISON OF ACTUAL GENERAL FUND COLLECTIONS WITH PROJECTIONS
LEGISLATIVE FISCAL ANALYSIS DIVISION
(in thousands of dollars)

Taxes	1978-79 Revenues		1979-80 Revenues	
	Estimated	Actual	Estimated	Actual
Property	\$ 12,197	\$ 10,955	\$ -0-	\$ 191
% Change	18.8%	6.7%		
Sales and Use	116,141	116,459	121,902	122,009
% Change	22.0%	22.3%	5.0%	4.8%
Gaming - State	110,907	111,902	126,743	127,537
% Change	22.0%	23.1%	14.3%	14.0%
Gaming - County	2,500	2,645	-0-	720
% Change	10.1%	16.5%		
Liquor	9,306	8,883	9,771	8,787
% Change	5.0%	.2%	5.0%	(1.1%)
Insurance	10,832	10,791	12,782	11,924
% Change	18.0%	17.5%	18.0%	10.5%
Casino Entertainment	16,330	16,865	17,800	19,656
% Change	15.0%	18.8%	9.0%	16.6%
Real Estate	2,250	2,390	-0-	37
% Change	13.4%	20.4%		
Taxes	\$280,463	\$280,889	\$288,998	\$290,860
% Change	20.5%	20.6%	3.0%	3.5%
Licenses	\$ 3,533	\$ 4,051	\$ 5,303	\$ 5,601
Fees and Fines	\$ 545	\$ 648	\$ 548	\$ 717
Charges for Services	\$ 688	\$ 645	\$ 222	\$ 142
Use of Money	\$ 13,205	\$ 13,767	\$ 9,705	\$ 24,194
Other	\$ 744	\$ 941	\$ 757	\$ 843
Total	\$299,178	\$300,942	\$305,533	\$322,356
% Change	21.5%	22.5%	2.1%	7.1%

Note: Columns may not add due to rounding.

GENERAL FUND REVENUE ESTIMATES FOR 1981 - 1983 (in thousands of dollars)
BUDGET DIVISION AND LEGISLATIVE FISCAL DIVISION

	1980-81 Estimated		1981-82 Estimated		1982-83 Estimated	
	Budget Division	Fiscal Division	Budget Division	Fiscal Division	Budget Division	Fiscal Division
Taxes						
Property	\$	\$ 10	\$	\$	\$	\$
% Change						
Sales and Use		130,000		145,600		166,700
% Change		6.5%		12.0%		14.5%
Gaming - State		135,487		151,191		170,248
% Change		7.9%		11.6%		12.6%
Gaming - County		10				
% Change						
Liquor		9,300		9,800		10,400
% Change		5.8%		5.4%		6.1%
Insurance		13,250		14,675		16,275
% Change		11.1%		10.8%		10.9%
Casino Entertainment		19,000		20,000		21,500
% Change		(3.3%)		5.3%		7.5%
Racing Pari-Mutuel		225		600		750
Taxes	\$	\$307,282	\$	\$341,866	\$	\$385,873
% Change		5.6%		11.3%		12.9%
Licenses	\$	\$ 5,848	\$	\$ 6,630	\$	\$ 6,404
Fees and Fines	\$	\$ 816	\$	\$ 826	\$	\$ 837
Charges for Services	\$	\$ 289	\$	\$ 241	\$	\$ 220
Use of Money	\$	\$ 20,636	\$	\$ 12,651	\$	\$ 10,651
Other	\$	\$ 1,351	\$	\$ 1,173	\$	\$ 1,180
Total	\$	\$336,222	\$	\$363,387	\$	\$405,165
% Change		4.3%		8.1%		11.5%

**A DETAILED COMPARISON OF ACTUAL GENERAL FUND REVENUES
WITH PROJECTED REVENUES FOR
1980-81, 1981-82 AND 1982-83**

Schedule **D**

TAXES	Actual 1977-78	Actual 1978-79	Actual 1979-80	Estimated 1980-81	Estimated 1981-82	Estimated 1982-83
Property	\$ 10,270,046	\$ 10,954,616	\$ 191,309	\$ 10,000	\$ --	\$ --
Sales & Use	95,197,898	116,459,249	122,008,661	130,000,000	145,600,000	166,700,000
Gaming - State	90,873,175	111,902,920	127,537,023	135,487,000	151,191,000	170,248,000
Gaming - County	2,269,739	2,644,831	719,677	10,000	--	--
Liquor	8,862,912	8,882,576	8,787,213	9,300,000	9,800,000	10,400,000
Insurance	9,179,872	10,790,557	11,923,750	13,250,000	14,675,000	16,275,000
Casino Entertainment	14,199,758	16,864,727	19,655,857	19,000,000	20,000,000	21,500,000
Real Estate Transfer	1,984,849	2,389,569	36,518	--	--	--
Racing Pari-mutuel	--	--	--	225,000	600,000	750,000
Subtotal Taxes	\$232,838,249	\$280,889,045	\$290,860,008	\$307,282,000	\$341,866,000	\$385,873,000
LICENSES						
Banking	\$ 89,301	\$ 106,967	\$ 158,384	\$ 175,000	\$ 192,000	\$ 211,000
Insurance	380,296	404,678	442,390	475,000	510,000	550,000
Marriage	415,002	452,213	424,297	425,000	425,000	425,000
Small Loans	20,565	34,310	33,240	35,000	37,000	39,000
Corporations	1,761,116	2,088,257	2,222,527	2,225,000	2,325,000	2,425,000
Secretary of State	108,080	202,854	226,795	230,000	237,000	245,000
Milk Testers	30	120	110	100	100	100
Private Schools	4,385	7,451	6,610	7,000	7,000	7,000
Savings & Loans	362,693	468,667	535,391	600,000	650,000	700,000
Real Estate	793,000	277,184	301,304	275,000	370,000	300,000
Employment Agencies	6,500	7,350	7,250	7,500	7,500	7,500
Credit Union/Thrift Co.	68,688	--	--	--	--	--
Hospitals & Ambulances	--	--	19,617	17,500	18,000	18,500
Money Orders	1,805	1,305	1,100	1,200	1,200	1,200
Athletic Commission	--	--	333,530	475,000	350,000	350,000
Drivers	--	--	888,250	900,000	1,500,000	1,125,000
Subtotal Licenses	\$ 4,011,461	\$ 4,051,356	\$ 5,600,795	\$ 5,848,300	\$ 6,629,800	\$ 6,404,300
FEES AND FINES						
Teacher Certification	\$ 9,986	\$ 9,230	\$ 23,435	\$ 25,000	\$ 28,000	\$ 31,000
Vital Statistics	34,534	36,244	46,375	51,000	56,000	60,000
Divorce	52,215	27,677	60,113	60,000	60,000	60,000
Civil Action	308,881	355,822	345,326	350,000	350,000	350,000
Insurance Exams & Fines	32,398	29,179	40,205	60,000	60,000	60,000
Financial Agents	9,285	27,303	19,285	26,400	28,400	31,400
Land Co. Filings	28,190	16,271	33,321	28,500	28,500	28,500
Real Estate	13,838	14,641	7,276	6,500	6,500	6,500
State Engineer	63,175	62,171	67,913	65,000	65,000	65,000

**A DETAILED COMPARISON OF ACTUAL GENERAL FUND REVENUES
WITH PROJECTED REVENUES FOR
1980-81, 1981-82 AND 1982-1983
(Continued)**

	Actual 1977-78	Actual 1978-79	Actual 1979-80	Estimated 1980-81	Estimated 1981-82	Estimated 1982-83
FEES AND FINES						
Attorney General	\$ --	\$ --	\$ 17,369	\$ 25,000	\$ 26,000	\$ 27,000
Supreme Court	14,937	17,787	17,948	18,000	18,000	18,000
Dairy Comm/Mobile Homes & Lobbyists	14,475	2,200	200	500	500	500
Iaetrile/Genovital Mfg.	--	18,315	38,240	100,000	100,000	100,000
Drug Licensing	--	30,438	--	--	--	--
Pier Permits	--	301	--	--	--	--
Subtotal Fees and Fines	\$ 581,914	\$ 647,579	\$ 717,006	\$ 815,900	\$ 826,900	\$ 837,900
CHARGES FOR SERVICES						
No.Nv. Children's Home	\$ 39,301	\$ 37,438	\$ 39,870	\$ 40,000	\$ 40,000	\$ 40,000
So.Nv. Children's Home	40,245	40,489	39,041	40,000	40,000	40,000
Youth Training Center	14,085	14,712	19,932	20,000	20,000	20,000
Girls Training Center	6,776	6,075	7,941	9,000	9,000	9,000
Institute - Medicare	118,782	226,807	--	44,000	--	--
Institute - SAMI	--	148,818	--	--	--	--
Dental Hlth - Title 19	820	1,320	1,379	--	--	--
Child Support	56,347	67,415	31,023	130,000	126,000	105,000
State Parks' Fees	165,608	100,008	--	--	--	--
Reimburse Lab. Svcs.	--	--	1,942	5,000	5,000	5,000
Reimburse Comm. Hlth.	--	1,993	627	1,000	1,000	1,000
Subtotal Services	\$ 441,964	\$ 645,075	\$ 141,755	\$ 289,000	\$ 241,000	\$ 220,000
USE OF MONEY & PROPERTY						
Printing, Purchasing, Computer, Facility Repayment	\$ 204,973	\$ 431,264	\$ 442,089	\$ 436,450	\$ 451,130	\$ 451,130
Interest Income	7,300,532	13,335,910	23,751,484	20,200,000	12,200,000	10,200,000
Subtotal Use of Money & Property	\$ 7,505,505	\$ 13,767,174	\$ 24,193,573	\$ 20,636,450	\$ 12,651,130	\$ 10,651,130
ALL OTHER RECEIPTS						
Federal Power	\$ 636	\$ 2,393	\$ 3,396	\$ 2,500	\$ 2,500	\$ 2,500
Hoover Dam	300,000	300,000	--	145,531	150,000	150,000
Misc. Sales & Refunds	184,667	344,710	541,701	403,000	315,000	317,000
Petroleum Products	259,959	294,465	297,756	300,000	305,000	310,000
Unclaimed Property	--	--	--	500,000	400,000	400,000
Subtotal Other Receipts	\$ 745,272	\$ 941,568	\$ 842,853	\$ 1,351,031	\$ 1,172,500	\$ 1,179,500
TOTAL REVENUES	\$246,124,365	\$300,941,797	\$322,355,990	\$336,222,681	\$363,387,330	\$405,165,830
% Inc. Over Prior FY	21.4%	22.3%	7.1%	4.3%	8.1%	11.5%

Schedule E

2% COMBINED SALES TAX RECEIPTS

<u>Business For Month of</u>	<u>1979-80</u>	<u>1980-81</u>	<u>Monthly %</u>	<u>Cumulative %</u>
June	\$ 18,656,451	\$ 18,367,594	(1.5)	(1.5)
July	6,070,798	6,486,500	6.8	.5
August	6,487,718	6,693,356	3.1	1.1
September	17,336,366	18,995,924	9.6	4.1
October	6,306,356	6,955,269	10.3	4.8
November	6,100,314	6,389,819	4.7	4.8
December	19,052,363			
January	5,766,522			
February	5,862,622			
March	17,070,604			
April	6,179,001			
May	6,268,564			
Total	<u>\$121,157,679</u>	<u>\$129,085,000</u>		<u>6.5%</u>
<u>Quarter</u>				<u>% Change</u>
April-June	\$ 31,909,304	\$ 30,815,159		(3.4%)
July-September	29,894,882	32,175,780		7.62%

Schedule F

QUARTERLY STATE LICENSE FEES (% FEES)

<u>Business Done During Period of:</u>	<u>1978-79</u>	<u>% Change Over Prior Year</u>	<u>1979-80</u>	<u>% Change</u>	<u>1980-81</u>	<u>% Change</u>
April - June	\$ 23,849,359	+22.67	\$ 26,523,494	+11.21	\$ 29,691,831	+11.95
July - September	27,198,139	+23.82	31,656,081	+16.39	33,918,656	+7.14
October - December	23,916,082	+21.15	27,128,195	+13.43		
January - March	<u>26,229,831</u>	<u>+21.42</u>	<u>30,706,240</u>	<u>+17.06</u>		
	\$101,193,411	+22.26	\$116,014,010	+14.65	\$125,200,000*	+7.9

CASINO ENTERTAINMENT TAX

April - June	\$ 3,921,872	+13.69	\$ 4,530,937	+15.53	\$ 5,008,018	+10.53
July - September	4,774,745	+21.79	5,723,604	+19.87	5,202,397	(9.11)
October - December	3,965,049	+20.65	4,504,463	+13.60		
January - March	<u>4,203,061</u>	<u>+18.62</u>	<u>4,896,853</u>	<u>+16.51</u>		
	\$16,864,727	+18.77	\$19,655,857	+16.55	\$19,000,000*	(3.33)

* Estimate

Schedule G

COMPARISON DATA: SALES AND % FEE COLLECTIONS

<u>Fiscal Year</u>	<u>Growth Rate</u>	
	<u>% Sales</u>	<u>% Fees</u>
1973-74	16.0	17.1
1974-75	7.4	17.8
1975 76	12.7	13.3
1976-77	17.0	12.4
1977-78	23.6	21.4
1978-79	22.3	22.2
1979-80	4.8	14.6
	<u>Projection</u>	
1980-81	6.5	7.9
1981-82	12.0	12.0
1982-83	14.5	13.0